

# STATE OF NEBRASKA

## OFFICE OF THE GOVERNOR

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**Mike Johanns**  
Governor

April 8, 2002

Mr. President, Mr. Speaker,  
and Members of the Legislature  
State Capitol  
Lincoln, NE 68509

Dear Mr. President and Senators:

With this letter and attachment, I am returning LB 1309 with line-item reductions. The General Fund amounts vetoed in LB 1309 total 74.3 million dollars for the current 2001-2003 biennium and represent a reduction of an additional 130.4 million dollars of continuing obligations for the 2003-2005 biennium. In addition, I have reduced the fiscal year 2002-03 transfer from the Securities Act Cash Fund to the General Fund provided for in LB 1309 by 13.0 million dollars. A list of the individual vetoes is included as an attachment to this letter. All amounts vetoed are General Funds.

In October I called you into a special session and recommended over 173 million dollars in budget actions including 138 million dollars in reduced General Fund appropriations for the 2001-2003 biennium. You enacted 171 million dollars of changes to the current biennium budget with the single largest item being an across-the-board reduction of four percent in fiscal year 2001-02 and five percent in fiscal year 2002-03 in General Fund appropriations for most State agencies. On January 15, 2002, and on February 28, 2002, I recommended further budget actions totaling 176.7 million dollars, including 90.1 million dollars in reduced General Fund appropriations. Additional across-the-board reductions of three percent in fiscal year 2002-03 General Fund appropriations for most State agencies were again the single largest item in these recommendations. My February 28, 2002, recommendations also indicated support for specific General Fund revenue measures and continued opposition to an increase in the sales and income tax rates.

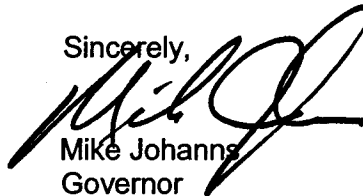
In LB 1309 you have presented me with specific changes to appropriations for the current 2001-03 biennium. Your total reductions to current General Fund appropriations for the current biennium are approximately 18.0 million dollars less than my previous recommendations. You are currently considering an increase in sales and income tax rates. My line-item reductions offer you the alternative of further reductions in General Fund spending. While some of these line-item reductions reinstate my previous recommendations, most of them, by necessity, represent significant program modifications or eliminations. I have also reduced the transfer from the Securities Act Cash Fund to the General Fund in fiscal year 2002-03 by 13.0 million dollars in order to reserve additional funds to protect our State from a possible further decline in forecasted tax receipts. I believe that Nebraskans are asking us for greater spending restraint and I remain opposed to an increase in the sales and income tax rates.

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and Members of the Legislature  
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I understand the very difficult nature of the work that remains during these final seven days of this legislative session. I am confident that you will conclude the very serious consideration and necessary decision-making related to the State budget prior to the end of this legislative session.

I appreciate your hard work. I urge you to sustain my line-item reductions in LB 1309.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Johanns", written over the printed name and title.

Mike Johanns  
Governor

Attachment

**Listing of LB 1309 General Fund Line-Item Reductions**  
**Current Biennium and Following Biennium**

Ag#	Ag Name	Prog#	Prog Name	Description	FY2001-02	FY2002-03	FY2003-04	FY2004-05
5	Supreme Court	52	Court Operations	Eliminate Dispute Resolution funding	0	(424,398)	(424,398)	(424,398)
5	Supreme Court	67	Probation Services	Use available cash	0	(500,000)	0	0
5	Supreme Court	67	Probation Services	Reduce half of new staff added in FY02	0	(372,378)	(372,378)	(372,378)
5	Supreme Court	67	Probation Services	3% General Fund reduction	0	(453,648)	(453,648)	(453,648)
12	Treasurer	119	Aid to NRD's	Reduce Aid to NRD's to 75% of FY03 original	0	(391,194)	(391,194)	(391,194)
12	Treasurer	120	Aid to Municipalities	Reduce Aid to Municipalities to 75% of FY03 original	0	(2,980,355)	(2,980,355)	(2,980,355)
12	Treasurer	149	Aid to Counties	Reduce Aid to Counties to 75% of FY03 original	0	(1,256,948)	(1,256,948)	(1,256,948)
13	Education	25	Departmental Administration	Eliminate Option Enrollment transportation funding	0	(181,424)	(181,424)	(181,424)
13	Education	25	Departmental Administration	Delay new funding for Early Childhood projects	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
13	Education	25	Departmental Administration	Reduce Textbook Loan program funding	0	(195,144)	(195,144)	(195,144)
13	Education	25	Departmental Administration	Eliminate Teacher World aid	0	(34,268)	(34,268)	(34,268)
13	Education	25	Departmental Administration	Eliminate Economic Education aid	0	(25,300)	(25,300)	(25,300)
13	Education	25	Departmental Administration	Reduce ESU aid to original funding level	0	(2,647,996)	(2,647,996)	(2,647,996)
13	Education	25	Departmental Administration	Reduce gifted education funding	0	(1,578,106)	(1,578,106)	(1,578,106)
13	Education	25	Departmental Administration	Eliminate volunteer coordination funding in Adult Ed	0	(231,733)	(231,733)	(231,733)
13	Education	25	Departmental Administration	Eliminate GF for NE Diagnostic Resource Center	(24,000)	0	0	0
13	Education	25	Departmental Administration	Eliminate administration funding for option transportation	0	(65,371)	(65,371)	(65,371)
13	Education	25	Departmental Administration	Reduce GF for assessment/reporting	0	(759,000)	(759,000)	(759,000)
16	Revenue	104	County Prop Tax Relief Fund	Reduce appropriation to 75% of FY03 original	0	(780,931)	(780,931)	(780,931)
18	Agriculture	27	Departmental Administration	Eliminate Value-Added grants	0	(920,000)	(920,000)	(920,000)
18	Agriculture	27	Departmental Administration	Reduce GF for Animal Damage Control Program	0	(23,000)	(23,000)	(23,000)
18	Agriculture	27	Departmental Administration	Eliminate market news service	0	(12,000)	(12,000)	(12,000)
18	Agriculture	333	Bureau of Plant Industry	Reduce GF for noxious weed program	0	(125,000)	(125,000)	(125,000)
18	Agriculture	333	Bureau of Plant Industry	Reduce GF for entomology program	0	(20,000)	(20,000)	(20,000)
18	Agriculture	385	Agricultural Statistics	Reduce GF for agricultural statistics program	0	(35,000)	(35,000)	(35,000)
20	HHS-Regulation	177	Administration	Reduce GF for Statewide Trauma System	0	(152,329)	(152,329)	(152,329)
20	HHS-Regulation	177	Administration	Use available cash	(80,000)	(80,000)	(80,000)	(80,000)
25	HHS-Services	33	Services Administration	Adjust county general assistance fee	0	(300,000)	(300,000)	(300,000)
25	HHS-Services	250	Juvenile Services	Reduce Juvenile secure facility contract to 5 beds	0	(365,000)	(365,000)	(365,000)
26	HHS-Finance	136	Legal Proceedings for Termination	Maximize federal funds for parental rights termination	(115,200)	(106,800)	(106,800)	(106,800)
26	HHS-Finance	316	Juvenile Predisposition Detention	Lapse predispositional detention excess reappropriation	(1,000,000)	0	0	0
26	HHS-Finance	341	Finance & Support Administration	Reduce managed care enrollment broker contract	0	(75,000)	(75,000)	(75,000)

**Listing of LB 1309 General Fund Line-Item Reductions**  
**Current Biennium and Following Biennium**

Ag#	Ag Name	Prog#	Prog Name	Description	FY2001-02	FY2002-03	FY2003-04	FY2004-05
26	HHS-Finance	347	Public Assistance	Reduce adoption incentive appropriation to awarded levels	(76,000)	(76,000)	(76,000)	(76,000)
26	HHS-Finance	347	Public Assistance	Return non-ADC child care subsidy eligibility to 120% FPL	0	(4,581,211)	(4,581,211)	(4,581,211)
26	HHS-Finance	347	Public Assistance	Reduce family support funding	0	(2,000,000)	(2,000,000)	(2,000,000)
26	HHS-Finance	348	Medicaid	Suspend practitioner rate increases	0	(1,500,000)	(1,500,000)	(1,500,000)
26	HHS-Finance	348	Medicaid	Reduce pharmacy dispensing fee	0	(840,000)	(840,000)	(840,000)
26	HHS-Finance	348	Medicaid	Reduce direct med. education and disproportionate share	0	(2,500,000)	(2,500,000)	(2,500,000)
26	HHS-Finance	348	Medicaid	Reduce outpatient cost-to-charge ratio	0	(1,450,000)	(1,450,000)	(1,450,000)
26	HHS-Finance	348	Medicaid	Reduce drug payments to avg. wholesale price less 12%	0	(1,160,000)	(1,160,000)	(1,160,000)
26	HHS-Finance	348	Medicaid	Savings for chemical dependency unit delay	(100,000)	0	0	0
26	HHS-Finance	348	Medicaid	Reduce hospital base payment rates	0	(2,840,000)	(2,840,000)	(2,840,000)
26	HHS-Finance	348	Medicaid	Reduce disproportionate share payments to federal only	0	(2,600,000)	(2,600,000)	(2,600,000)
26	HHS-Finance	348	Medicaid	Freeze nursing facility rates at CY02 level	0	(2,917,500)	(7,002,000)	(7,002,000)
26	HHS-Finance	348	Medicaid	Freeze assisted living rates at CY02 level	0	(111,438)	(267,451)	(267,451)
26	HHS-Finance	348	Medicaid	Reduce special needs contracts	0	(70,000)	(70,000)	(70,000)
26	HHS-Finance	348	Medicaid	Expand client cost participation to maximum allowable	0	(60,000)	(60,000)	(60,000)
26	HHS-Finance	424	Developmental Disability Aid	Delay DD rate equity	0	(2,105,342)	0	0
27	Roads	305	Assist. to Local Transit Authorities	Eliminate Local Transit Assistance	0	(621,000)	(621,000)	(621,000)
29	Natural Resources	304	Soil and Water Conservation Fund	Reduce soil and conservation aid to 75% of FY03 original	0	(672,206)	(672,206)	(672,206)
29	Natural Resources	307	Resources Development Fund	Eliminate funding for new unapproved projects	0	(1,599,000)	(1,599,000)	(1,599,000)
29	Natural Resources	331	Water Rights Litigation	Water rights litigation savings	0	(475,000)	(475,000)	(475,000)
29	Natural Resources	334	Soil & Water Conservation	Establish new base operations appropriation	0	(195,000)	(195,000)	(195,000)
32	Ed Lands & Funds	529	Land Surveyors	Establish new base operations appropriation	0	(15,000)	(15,000)	(15,000)
33	Game and Parks	550	Planning and Trails Coordination	Eliminate FY03 funding for Cowboy Trail	0	(239,688)	(239,688)	(239,688)
34	Library Commission	302	Library Development	Reduce Library aid to 50% of FY03 original	0	(635,548)	(635,548)	(635,548)
46	Dept. of Corrections	200	Operations	Eliminate Community Justice funding	0	(531,465)	(531,465)	(531,465)
46	Dept. of Corrections	200	Operations	Close Hastings Correctional Center	0	(2,484,043)	(2,868,427)	(2,868,427)
46	Dept. of Corrections	200	Operations	Projected one-time department savings	(6,000,000)	0	0	0
46	Dept. of Corrections	750	Jail Reimbursement Assistance	Reduce Jail Reimbursement Aid to 75% of FY03 original	0	(722,500)	(722,500)	(722,500)
48	Postsecondary Coord.	499	Scholarship Award Program	Reduce SSAP/SSIG scholarship aid by 10%	0	(207,823)	(207,823)	(207,823)
48	Postsecondary Coord.	500	Scholarship Assistance Program	Reduce SAP scholarship aid by 10%	0	(207,823)	(207,823)	(207,823)
48	Postsecondary Coord.	650	Postsecondary Ed Award Program	Reduce PEAP scholarship aid by 10%	0	(273,686)	(273,686)	(273,686)
50	State Colleges	48	State Colleges	Reduce State Colleges to 3% reduction	0	(784,351)	(784,351)	(784,351)

# **Listing of LB 1309 General Fund Line-Item Reductions** **Current Biennium and Following Biennium**

Ag#	Ag Name	Prog#	Prog Name	Description	FY2001-02	FY2002-03	FY2003-04	FY2004-05	
51	University of Nebr.	781	U of N Administration, with NCTA	Reduce University to 3% reduction	0	(8,820,761)	(8,820,761)	(8,820,761)	
51	University of Nebr.	781	U of N Administration, with NCTA	Eliminate new funding for Juvenile Justice Institute-UNO	0	(97,640)	(97,640)	(97,640)	
54	Historical Society	648	Historical Society	Eliminate GF for Ford Conservation Center	0	(230,000)	(230,000)	(230,000)	
65	Admin Services	101	Chief Information Officer	Use FY01 grant savings for FY02 grants	(450,000)	0	0	0	
65	Admin Services	101	Chief Information Officer	Establish new base funding level	0	(139,616)	(139,616)	(139,616)	
**	65	Admin Services	240	Information Technology Infrastructure	Eliminate FY03 transfer to Info. Tech. Infrastructure Fund	0	(1,380,000)	0	0
65	Admin Services	901	State Capitol Improvements	Establish base funding level at \$500,000	0	(500,000)	0	0	
69	Arts Council	327	Promotion/Development	Reduce Aid to the Arts to 75% of FY03 original	0	(164,630)	(164,630)	(164,630)	
69	Arts Council	328	Aid to the Humanities	Reduce Aid to the Humanities to 75% of FY03 original	0	(22,309)	(22,309)	(22,309)	
72	Economic Development	600	Administration	Reduce Mainstreet program	0	(115,000)	(115,000)	(115,000)	
72	Economic Development	600	Administration	Reestablish base staffing level	0	(488,600)	(488,600)	(488,600)	
72	Economic Development	601	Community Affairs	Reduce Microenterprise Loan program	0	(210,000)	(210,000)	(210,000)	
72	Economic Development	618	Visitors Promotion & Tourism	Reduce GF appropriation to 50% of FY03 original	0	(40,026)	(40,026)	(40,026)	
78	Crime Commission	198	Central Administration	Eliminate Local Prosecution Aid	0	(55,200)	(55,200)	(55,200)	
81	Blind/Visually Impaired	357	Blind/Visually Impaired	3% General Fund operating reduction	0	(11,996)	(11,996)	(11,996)	
83	Community Colleges	152	Property Tax Relief	Reduce to Governor's level	0	(781,914)	(781,914)	(781,914)	
84	Environmental Quality	513	Administration	Reduce Superfund non-federal cost share	0	(230,000)	(230,000)	(230,000)	
94	Public Advocacy	427	Criminal Indigent Defense Aid	Eliminate Indigent Defense Aid	(424,800)	(874,000)	(874,000)	(874,000)	
95	Rural Development	134	Rural Development Commission	Eliminate General Fund appropriations	0	(347,374)	(347,374)	(347,374)	
Fiscal Year Totals					(9,270,000)	(65,077,013)	(65,216,568)	(65,216,568)	
Biennium Totals						(74,347,013)		(130,433,136)	
Four-Year Totals								(204,780,149)	

\* Lapse excess reappropriation

\*\* Veto General Fund transfer out

In addition, the FY 2002-03 transfer from the Securities Act Cash Fund to the General Fund is reduced by \$13.0 million.